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UNCLAS SECTION 01 OF 03 ROME 001360

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SUBJECT: LABOR ANTIPASTI FOR ITALY

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REFTELS: A) ROME 579 B) 02 ROME 5750 C) 02 ROME 5139

1. INTRODUCTION: THIS CABLE IS THE FIRST IN A PERIODIC SERIES REPORTING RECENT DEVELOPMENTS AND TRENDS CONCERNING ITALY'S LABOR MARKET, LABOR-MANAGEMENT RELATIONS AND TRADE UNION ACTIVITIES. THE ITEMS INCLUDED ARE USEFUL TIDBITS; SMALL DISHES (ANTIPASTI IN LOCAL PARLANCE) OF INFORMATION TO SUPPLEMENT MORE DETAILED REPORTING ON MEATIER SUBJECTS. COMMENTS, QUESTIONS OR REQUESTS FOR ADDITIONAL INFORMATION SHOULD BE DIRECTED TO LABOR COUNSELOR JOHN BASS (BASSJR@STATE.GOV) OR LABOR SPECIALIST GAETANO PELLICANO (PELLICANOG@STATE.GOV)

2. ON THIS EDITION'S MENU:

-- GOVERNMENT SERVES UP 2002 EMPLOYMENT DATA; GAINS OUTSTRIP GDP GROWTH RATE
-- POLITICALLY-MOTIVATED STRIKES CHOKED THE COUNTRY IN 2002
-- ITALIAN EDUCATIONAL SYSTEM DOESN'T CUT THE MUSTARD
-- NEW PUBLIC SECTOR CONTRACT STEAMS EMPLOYERS
-- EMPLOYERS, TRADE UNIONS STEWING OVER DECLINING INDUSTRIAL COMPETITIVENESS
-- PARLIAMENT COOKS UP SWEEPING EDUCATION REFORM

2002 EMPLOYMENT GAINS OUTSTRIP GDP GROWTH, ESPECIALLY IN SOUTH

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3. THE ITALIAN ECONOMY ADDED 315,000 JOBS IN THE FORMAL SECTOR IN 2002, AN INCREASE OF 1.5 PERCENT, ACCORDING TO THE NATIONAL STATISTIC INSTITUTE'S ANNUAL SURVEY. ALTHOUGH THE ECONOMY ADDED FEWER JOBS THAN IN EITHER OF THE TWO PRECEDING YEARS, THE MODEST GROWTH IN EMPLOYMENT NONETHELESS EXCEEDED THE MINIMAL 0.4 PERCENT GROWTH IN GDP. PAYROLL EMPLOYMENT ACCOUNTED FOR ALL OF THE GROWTH; THE NUMBER OF SELF-EMPLOYED ITALIANS DECLINED SLIGHTLY (BY 18,000). SLIGHTLY OVER ONE-THIRD OF THE NEW POSITIONS, OR 115,000, WERE PART-TIME OR FIXED-TERM. EMPLOYMENT AMONG WOMEN GREW AT 2.2%; OVER HALF THE NEW JOBS CREATED WENT TO WOMEN. REGIONALLY, GROWTH IN EMPLOYMENT WAS STRONGEST IN THE CHRONICALLY UNDERDEVELOPED SOUTHERN REGION (1.9 PERCENT), FOLLOWED BY THE CENTER (1.8 PERCENT) AND NORTH (1.1 PERCENT), ALTHOUGH NORTHERN ITALY CREATED THE MOST JOBS (123,000) OF THE THREE REGIONS. TRADITIONALLY LARGE REGIONAL DISPARITIES IN UNEMPLOYMENT CONTINUED: THE ANNUAL UNEMPLOYMENT RATE IN NORTHERN ITALY WAS 4 PERCENT; IN CENTRAL ITALY, 6.6 PERCENT; AND IN SOUTHERN ITALY, 18.3 PERCENT. THE BERLUSCONI GOVERNMENT SIMULTANEOUSLY TOOK CREDIT FOR THE MODEST GOOD NEWS AND CITED THE ENORMOUS REGIONAL DISPARITIES AS FURTHER EVIDENCE OF THE NEED FOR RAPID IMPLEMENTATION OF ITS PACKAGE OF LABOR MARKET REFORMS (APPROVED BY PARLIAMENT, PENDING IMPLEMENTATION REGULATIONS BY THE LABOR MINISTRY - SEE REF A).

STRIKE TOTALS SKYROCKETED IN 2002, LARGELY FOR POLITICAL REASONS

4. ITALIAN WORKERS SPENT OVER 4 MILLION MAN-DAYS ON STRIKE
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IN 2002, A 355-PERCENT INCREASE OVER THE PRECEDING YEAR, ACCORDING TO NATIONAL STATISTICS INSTITUTE ISTAT. ROUGHLY 32.7 MILLION MAN-HOURS WERE LOST TO STRIKES, UP FROM 7.2 MILLION MAN-HOURS IN 2001. OVER 85 PERCENT OF THE LOST TIME - SOME 27.5 MILLION MAN-HOURS - STEMMED FROM STRIKES CALLED FOR MOTIVES UNRELATED TO BARGAINING OR OTHER ELEMENTS OF LABOR RELATIONS. IN 2001, ISTAT REGISTERED ONLY 144,000 MAN-HOURS LOST TO STRIKES FOR REASONS OTHER THAN LABOR RELATIONS. THE HUGE INCREASE REFLECTS PRIMARILY DECISIONS BY THE TRADE UNION CONFEDERATIONS (ESPECIALLY CGIL, THE LARGEST AND MOST LEFT-LEANING POLITICALLY) TO CALL SEVERAL NATIONAL STRIKES TO PROTEST BROAD GOVERNMENT POLICY. OF THOSE HOURS LOST TO STRIKES UNDERTAKEN FOR TRADITIONAL LABOR MOTIVES, OVER SIXTY PERCENT WERE CONCENTRATED IN THREE

SECTORS: METALWORKERS (1.8 MILLION MAN-HOURS, OR 34.8 PERCENT); PUBLIC ADMINISTRATION AND GOVERNMENT EMPLOYEES (833,000 MAN-HOURS, OR 16 PERCENT); AND TRANSPORT AND TELECOM (532,000 MAN-HOURS, OR 10.2 PERCENT).

ITALIAN EDUCATIONAL SYSTEM NOT MEETING WORKFORCE NEEDS

15. ITALY HAS THE LOWEST RATE IN THE EUROPEAN UNION OF MATCHING STUDENTS AND TRAINEES TO JOBS THAT REFLECT THEIR SPECIALIZED STUDIES AND PREPARATION, ACCORDING TO A RECENT EUROSTAT STUDY. 47 PERCENT OF YOUNG ITALIANS WORK IN A

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ACTION DRL-01

INFO	LOG-00	NP-00	AGRE-00	AID-00	CEA-01	CIAE-00	COME-00
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	SRPP-00	DS-00	EB-00	EXME-00	EUR-00	OIGO-00	E-00
	FAAE-00	FBIE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00
	INR-00	ITC-01	LAB-01	L-00	VCE-00	AC-01	NSAE-00
	NSCE-00	OMB-01	OPIC-01	PA-00	PM-00	PRS-00	ACE-00
	P-00	SP-00	SSO-00	SS-00	STR-00	TEST-00	USIE-00
	PMB-00	DSCC-00	PRM-00	G-00	SAS-00	/008W	

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TO SECSTATE WASHDC 9033
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SECTOR DIFFERENT THAN THAT OF THEIR FIELD OF STUDY, COMPARED TO 29 PERCENT IN THE NETHERLANDS, 35 PERCENT IN FRANCE AND 40 PERCENT IN GREECE. THE PHENOMENON IS THE RESULT OF BOTH ECONOMIC AND CULTURAL FACTORS, NOTABLY HISTORICALLY POOR INTEGRATION OF THE LABOR MARKET WITH EDUCATION AND TRAINING SYSTEMS. ITALY'S CURRENT EDUCATIONAL SYSTEM IS LARGELY THE PRODUCT OF 1920'S, FASCIST-ERA LEGISLATION, CONCENTRATING ON CLASSICAL CORE CURRICULA THAT PROVIDES EXCELLENT PREPARATION FOR THOSE HEADED TO UNIVERSITY BUT DOES NOT PREPARE OTHER STUDENTS FOR THE TYPES OF EMPLOYMENT OPPORTUNITIES AVAILABLE IN AN ADVANCED INDUSTRIAL AND INFORMATION ECONOMY. INCREMENTAL REFORMS IN RECENT YEARS FAILED TO CORRECT THIS FUNDAMENTAL WEAKNESS; A RECENT EDUCATION REFORM PACKAGE MAY DO BETTER (SEE LAST ITEM).

16. ITALY WAS ALSO LATE IN DEVELOPING A TRAINING SYSTEM FOR UNEMPLOYED PEOPLE AND IN ADOPTING THE "LIFE-LONG LEARNING" CONCEPT. PROGRAMS IN BOTH AREAS DID NOT BEGIN UNTIL THE EU STARTED CO-FINANCING PROGRAMS IN THE NINETEEN-EIGHTIES DEVOTED TO REDUCING THE UNEMPLOYMENT RATE. EVEN AFTER THESE NEW INITIATIVES, TRAINING AGENCIES HAD LIMITED CAPABILITIES TO EVALUATE THEIR EFFECTIVENESS IN MATCHING POTENTIAL EMPLOYEES TO THE LABOR MARKET DEMANDS; PUBLIC/GOVERNMENT EMPLOYMENT SERVICES WERE PRIMARILY BUREAUCRATIC OPERATIONS CERTIFYING EMPLOYMENT OR UNEMPLOYMENT STATUS. PUBLIC TRAINING PROGRAMS WERE VIEWED LARGELY AS AVOCATIONAL, ALLOWING INDIVIDUALS TO PURSUE PERSONAL INCLINATIONS, RATHER THAN AS STRATEGIC TOOLS TO ADDRESS EMPLOYERS' REQUIREMENTS FOR WORKERS WITH SPECIFIC SKILLS OR EXPERTISE. THE RESULT HAS BEEN A REMARKABLE MISMATCH BETWEEN SUPPLY AND DEMAND OF WORKERS. UNEMPLOYED ITALIANS OFTEN SPEND TWO TO THREE YEARS

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LOOKING FOR EMPLOYMENT CONSISTENT WITH THEIR EDUCATION AND OFTEN END UP ACCEPTING ALMOST ANY JOB THEY CAN FIND.

NEW PUBLIC SECTOR CONTRACT STEAMS PRIVATE EMPLOYERS

17. ON FEBRUARY 27, ARAN (THE OPM-EQUIVALENT THAT REPRESENTS PUBLIC MINISTRIES) AND THE THREE LARGEST UNION CONFEDERATIONS SIGNED A NEW CONTRACT. THE PACT ESTABLISHES NEW REGULATIONS AND SALARIES FOR PUBLIC EMPLOYEES OF THE

CENTRAL ADMINISTRATIONS, IN ACCORDANCE WITH THE OVERALL AGREEMENT ON BARGAINING ESTABLISHED IN 1993. THE THREE MAJOR CONFEDERATIONS PUT ASIDE THEIR DIFFERENCES OVER BARGAINING PRIORITIES FOR PRIVATE SECTOR CONTRACTS (WHICH ARE NEGOTIATED NATIONALLY FOR EACH INDUSTRIAL/SERVICE SECTOR) AND THE GOVERNMENT'S LABOR MARKET REFORM PROPOSALS TO PRESENT A UNITED BARGAINING FRONT ON THE PUBLIC SECTOR CONTRACT. AS A RESULT, THEY SECURED AN AVERAGE SALARY INCREASE OF 5.7% FOR PUBLIC SECTOR EMPLOYEES - SOME 1 PERCENT GREATER THAN THE INFLATION TARGET ESTABLISHED BY THE BERLUSCONI GOVERNMENT LAST YEAR, GENERALLY USED AS A GUIDE FOR SALARY INCREASES IN THE NEW ROUND OF LABOR BARGAINING. PRIVATE EMPLOYERS CRITICIZED THE NEW CONTRACT. THEY CALLED THE SALARY INCREASES OVERLY GENEROUS AND INDICATED IT WILL MAKE BARGAINING OVER THE NEW SET OF PRIVATE SECTOR CONTRACTS MORE DIFFICULT, AS THE CONFEDERATIONS SEEK COMPARABLE SALARY INCREASES FROM EMPLOYERS SEEMINGLY DETERMINED TO HOLD WAGE INCREASES TO MORE MODEST LEVELS.

18. THE PUBLIC SECTOR CONTRACT DOES NOT INTRODUCE NEW FLEXIBLE LABOR ARRANGEMENTS (SUCH AS JOB-SHARING AND STAFF UNCLASSIFIED

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LEASING) RECENTLY PASSED BY THE PARLIAMENT; THE LABOR MINISTRY IS STILL WRITING THE REGULATIONS TO IMPLEMENT THOSE INNOVATIVE PROVISIONS. HOWEVER, IT DOES CONTAIN NEW MEASURE TO FIGHT SEXUAL ABUSE AND OTHER FORMS OF HARASSMENT IN THE WORKPLACE.

EMPLOYERS, TRADE UNIONS COOKING UP REMEDIES TO DECLINING COMPETITIVENESS

19. ITALY'S THREE MAJOR TRADE UNION CONFEDERATIONS HAVE LAUNCHED A SERIES OF DISCUSSIONS WITH CONFINDUSTRIA, THE PRINCIPAL CONFEDERATION FOR LARGE AND MEDIUM-SIZE COMPANIES, ON POSSIBLE SOLUTIONS TO ADDRESS THE DECLINING COMPETITIVENESS OF ITALY'S INDUSTRIAL SECTOR. THE PARTIES HAVE CREATED FOUR DISCUSSION FORA TO ADDRESS KEY ASPECTS: RESEARCH, INFRASTRUCTURE, TRAINING AND THE MEZZOGIORNO (THE SOUTHERN THIRD OF THE ITALIAN PENINSULA, WHICH SUFFERS FROM CHRONIC HIGH UNEMPLOYMENT AND COMPARATIVELY LOW INVESTMENT). PARTNERED OFF IN THESE FOR A, LABOR AND MANAGEMENT INTEND TO DEVELOP JOINT PROPOSALS TO PRESENT TO THE BERLUSCONI GOVERNMENT: IN SOME CASES, SPECIFIC PROGRAMS AND PROJECTS FOR FUNDING, IN OTHERS ADJUSTMENTS TO LEGISLATION OR REGULATION.

110. THE FIRST DIRECT CONTACT BETWEEN CONFINDUSTRIA AND THE

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ACTION DRL-01

INFO	LOG-00	NP-00	AGRE-00	AID-00	CEA-01	CIAE-00	COME-00
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	SRPP-00	DS-00	EB-00	EXME-00	EUR-00	OIGO-00	E-00
	FAAE-00	FBIE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00
	INR-00	IO-00	ITC-01	LAB-01	L-00	VCE-00	AC-01
	NSAE-00	NSCE-00	OMB-01	OPIC-01	PA-00	PER-00	PM-00
	PRS-00	ACE-00	P-00	SP-00	IRM-00	SSO-00	SS-00
	STR-00	TEST-00	USIE-00	PMB-00	DSCC-00	PRM-00	G-00
	SAS-00	/008W					

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UNION CONFEDERATIONS IN TWO YEARS, THE TALKS WERE SPURRED BY FIATAUTO'S RECENT DIFFICULTIES AND THE BERLUSCONI GOVERNMENT'S REACTION TO THE CRISIS (SEE REFS B AND C FOR MORE DETAILED ANALYSIS OF FIAT'S DIFFICULTIES). BOTH LABOR AND MANAGEMENT BELIEVE THE GOVERNMENT SHOULD BE DOING MORE

TO ENCOURAGE AND SUPPORT PRIVATE RESEARCH AND INNOVATION AND TO BUILD ON THOSE AREAS, SUCH AS DESIGN, AT WHICH ITALIAN INDUSTRY EXCELS. EVEN IF THE TALKS FAIL TO PRODUCE TANGIBLE SPECIFIC RESULTS, THEY COULD FOSTER A MORE PRODUCTIVE ATMOSPHERE FOR UPCOMING NEGOTIATIONS OVER PRIVATE SECTOR WAGES AND BENEFITS AND A VARIETY OF OTHER WORKPLACE ISSUES.

PARLIAMENT APPROVES SWEEPING EDUCATION REFORM

11. ON MARCH 12, THE SENATE PASSED THE FIRST MAJOR REFORM TO ITALY'S EDUCATIONAL SYSTEM IN 80 YEARS. THE REFORM PACKAGE IS INTENDED TO IMPROVE THE OVERALL QUALITY OF PUBLIC EDUCATION. IN PROVIDING STUDENTS WITH MORE CHOICE AND OPPORTUNITIES TO DEVISE A MORE PERSONALIZED EDUCATION, THE PACKAGE SHOULD HELP LOWER THE NATION'S CURRENT DROPOUT RATE OF 10.5 PERCENT, SUPPORTERS CLAIM. THE REFORMED SYSTEM SHOULD ALSO PRODUCE A MORE VARIED/SKILL-DIVERSIFIED POOL OF GRADUATES BETTER PREPARED TO FILL THE REQUIREMENTS OF EMPLOYERS IN A CHANGING ECONOMY. THE REFORM PACKAGE, SUPPORTERS ASSERT, IS AN IMPORTANT ELEMENT IN IMPROVING ITALY'S COMPETITIVENESS WITH FELLOW EU MEMBER-STATES AND OTHER COMPETITORS.

12. THE REFORM PACKAGE WILL CREATE A DUAL-TRACK SECONDARY UNCLASSIFIED

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SYSTEM, ADDING A "PROFESSIONAL/VOCATIONAL TRAINING" TRACK TO THE CURRENT "CLASSICAL" SYSTEM OF SECONDARY SCHOOLS BUILT AROUND CORE CURRICULA (SUCH AS CLASSICS, LINGUISTICS, NATURAL SCIENCES AND SOCIAL SCIENCES). STUDENTS WILL ALSO GAIN OPPORTUNITIES TO RECEIVE PRACTICAL TRAINING THROUGH APPRENTICESHIP OR INTERNSHIP-STYLE OPPORTUNITIES IN THE LABOR MARKET TO COMPLEMENT THEIR TRADITIONAL STUDIES. FOREIGN LANGUAGE AND COMPUTER SCIENCE INSTRUCTION WILL BEGIN IN ELEMENTARY SCHOOL; A SECOND FOREIGN LANGUAGE WILL BE ADDED IN MIDDLE SCHOOL. STUDENTS WILL BE REQUIRED TO ATTEND SCHOOL OR RELATED PROGRAMS FOR AT LEAST TWELVE YEARS. FORMAL EDUCATION, PRACTICAL TRAINING PROGRAMS AND LABOR MARKET NEEDS WILL BE BETTER INTEGRATED, ALLOWING STUDENTS TO GAIN PRACTICAL EXPOSURE TO POSSIBLE PROFESSIONS AND TO PERSONALIZE CURRICULUMS. A SIMPLIFIED EVALUATION SYSTEM FOR STUDENTS AND NEW RECRUITMENT PROCEDURES FOR PROFESSORS ALSO WILL BE INTRODUCED.

13. AS IS THE CASE WITH MUCH ITALIAN LEGISLATION, MANY OF THE DETAILS TO ACCOMPLISH THESE BENCHMARKS WILL BE HAMMERED OUT OVER THE NEXT TWO YEARS VIA IMPLEMENTING REGULATIONS - PROVIDING BOTH SUPPORTERS AND CRITICS AMPLE OPPORTUNITY TO CONTINUE THEIR ARGUMENT OVER INDIVIDUAL PROVISIONS. ITALY'S CURRENT AUSTERITY BUDGET AND THE FISCAL CONSTRAINTS OF THE EU STABILITY PACT ALSO WILL SLOW IMPLEMENTATION; EDUCATION MINISTER MORATTI FACES AN UPHILL STRUGGLE TO WRESTLE FROM THE FINANCE MINISTRY A SUBSTANTIAL PORTION OF THE BUDGET'S EVER-DWINDLING DISCRETIONARY FUNDS. PRIVATE EMPLOYERS JUDGE THE REFORM PACKAGE AN IMPORTANT ACHIEVEMENT THAT WILL IMPROVE THE QUALITY OF WORKFORCE; CRITICS, NOTABLY THE CENTER-LEFT OPPOSITION, CHARGE IT WILL CREATE/REINFORCE UNCLASSIFIED

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SOCIOECONOMIC CLASSES. THE MAJOR TRADE UNION CONFEDERATIONS ARE SPLIT (AS THEY ARE ON MOST DOMESTIC ISSUES THESE DAYS): CISL AND UIL HAVE SAID THEY WILL TRY TO SHAPE THE PACKAGE THROUGH DISCUSSIONS OVER THE IMPLEMENTING REGULATIONS, WHILE CGIL HAS ANNOUNCED ITS STEADFAST OPPOSITION AND PLEDGED TO ORGANIZE A STRIKES AND DEMONSTRATIONS TO OPPOSE IT.

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